

# Virginia Individual Development Accounts Program

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## **2003 Program Design**

# **VIRGINIA INDIVIDUAL DEVELOPMENT ACCOUNTS**

## **OVERVIEW AND PROGRAM DESIGN**

### **Program Description**

The Virginia Individual Development Account (VIDA) program is administered by the Virginia Department of Housing and Community Development (DHCD) in conjunction with the Virginia Department of Social Services (DSS). The program is designed to encourage savings and improve personal financial planning to help lower-income individuals accumulate productive assets and build self-sufficiency. Through an individual development account (IDA), an individual saves into a designated account at a financial institution for a specific purpose, such as home ownership, education, or business start-up.

The IDA strategy encourages self-reliance through savings and building assets. An IDA provides matching funds as an incentive for individuals to save successfully. State funds will be used as that match and will match individual savings up to a 2:1 ratio (for every one dollar the participant saves, it will be matched with two dollars). The state match cannot exceed \$4,000 per family unit.

DHCD works through local service providers who recruit and provide support for individuals who are saving in an IDA, and the accounts are held at local financial institutions. All savers receive financial management training that includes such topics as improving credit, setting up a budget and savings schedule, and the basics of money management.

### **VIDA's History**

In 1998, the Virginia Individual Development Accounts Committee, a committee composed of representatives from DHCD, DSS, and Virginia Commonwealth University, selected five demonstration sites from a competitive application round. The demonstration sites had an established track record in serving disadvantaged constituencies and the working poor. Through the selection process, the participating programs demonstrated a community need, an organizational capacity to implement an IDA program, and the potential to have an impact on the program participants.

The five sites chosen as VIDA demonstration sites include:

- Lynchburg Community Action Group, in Lynchburg
- New Enterprise Fund, in Christiansburg

- People Inc. of Southwest Virginia, in Abingdon
- Waynesboro Redevelopment and Housing Authority, in Waynesboro
- York County Community Services Department, in Yorktown

In 1998 the Virginia General Assembly appropriated \$500,000 to the VIDA program. Each of the five demonstration sites received \$100,000 in state funds to be used for operational costs and matching funds.


To date, the VIDA program's success has been steady and consistent with preliminary national trends. Five families have realized their savings goal. A total of 121 individuals entered the program, and 84 of those individuals are still saving towards their goal.


As for national trends, the VIDA program's average total net deposits of \$413 per participant were consistent with the American Dream Demonstration's (ADD) statistics of \$420 per participant. The ADD was the first national large scale test of IDAs as a social and economic development tool for low-income communities. VIDA and the ADD had similar results in the distribution of participants' saving goals for education, home and entrepreneurship.

### Program Design

The VIDA program is administered through local service providers who work with the saver towards attaining economic self-sufficiency. The VIDA program is intended to supplement and work in tandem with other services provided by the selected VIDA sites to offer a comprehensive strategy for low-income families to achieve self-sufficiency.

VIDA programs must meet the following components:

- Enroll a minimum of 10 eligible savers. Approved providers can partner with other agencies to reach the required number of participants.
- Develop a plan with each enrolled saver. The plan must identify:
  - a) a monthly savings amount; with the understanding that a minimum of \$20 every calendar month must be deposited
  - b) the purpose of the savings and the match must be to purchase a home, start a business, or for postsecondary education
  - c) an action plan that outlines the activities and related resources necessary to prepare the saver to reach the identified goal of the approved plan.
- Provide  training in basic financial management including topics such as *personal management training, budgeting and credit repair, loans and grant resource development, and personal financial planning (i.e. savings and investments, insurance, wills, and tax planning).*

- Provide savers services and/or technical assistance targeted to their particular savings goal, such as housing counseling, or career counseling or microenterprise services, to develop asset management skills. The delivery of such services should be flexible and provided in a logical sequence in conjunction with the basic financial management training.
- Deposit all matching grant funds in an escrow account at an approved financial institution until the funds are withdrawn. The local service provider must use grant proceeds to provide the required match for the accounts of enrolled savers who have met all program requirements. The service provider will submit bank statements of this escrow account to DHCD on a quarterly basis.
- Maintain client files that include documentation of income eligibility, development plan, savings and financial information, progress and follow-up reports on the use of the funds in a format to  prescribed by the DHCD.

Savers participating in an approved account program are required to:

- Save a minimum of \$20 per month to be matched by state dollars at a 2:1 ratio not to exceed \$4,000. A participant may use his IDA account to purchase more than one asset; however, the total matching funds cannot exceed \$4,000.
- Open a trust account at an approved financial institution. All monies in that account, including interest earned, will belong to the individual saver.
- Identify an approved asset for the use of the savings and the match.
- Attend training by the local VIDA program, unless attendance in similar training for an equivalent time can be documented. Workshops should cover such topics as personal management training, budget and credit repair, loans and grants resource development, and personal financial planning (i.e. savings and investments, insurance, wills, and tax planning).
- Participate in structured sessions for counseling or technical assistance tailored to the saver's identified savings goal.

<b>Eligible Uses</b>
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## **HOME OWNERSHIP**

State matching funds and personal savings accounts for home ownership IDAs must be used as downpayment assistance or to cover closing costs when purchasing a home. The purchaser must be a first-time homebuyer and attend both financial management training

and home ownership training. Match will be available at a 2:1 ratio, with a cap of \$4,000 per individual.

### **Postsecondary Education**

State matching funds and personal savings accounts for postsecondary education and training may be used for tuition costs and/ or the costs of books and resources required for a course provided by community colleges, universities, apprenticeship programs, or licensed proprietary schools. For this savings goal, individuals must participate in financial management training and develop a career goal and plan to reach that goal, which should be developed in consultation with available regional labor market information. Training must be legitimately linked to that goal. Match will be available at a 2:1 ratio, with a cap of \$4,000 per individual.

### **Microenterprise/Small Business**

State matching funds and personal savings accounts for microenterprise may be used for investment in a business or self-employment venture for a participant. For example, a microenterprise IDA can be used to capitalize a business and may be used in combination with other sources, including loan funds. For this savings goal, a participant is required to attend financial management training and provide a business plan and/or participate in relevant small-business training programs to ensure success. Match will be available at a 2:1 ratio, with a cap of \$4,000 per individual. IDA state matching funds cannot be used for working capital.



### **Individual Applicant Eligibility**

#### **A. Participant Eligibility**

Participation in the IDA program is limited to TANF-eligible families with at least one child under the age of 18 and with incomes at the time of enrollment not more than 200 percent of the official federal poverty level. Only one member of a TANF-eligible family unit is eligible to participate in the IDA Program. Welfare payments, Supplemental Security Income (SSI), Social Security Disability Income (SSDI) payments, state or federal training program stipends and Unemployment Compensation are **not** considered **income** in the determination of participant eligibility. Salary and wage statements and W-2 forms of the participant are adequate documentation of income eligibility.

All savings must be earned income. Earned income includes wages, salaries, or professional fees, and other amounts received as compensation for personal services actually rendered. It does not include that part of the compensation derived by the taxpayer for personal services rendered by him or her to a corporation which represents a distribution of earnings or profits rather than a reasonable allowance as compensation for the personal services actually rendered.



## B. Matching Grant Funds

An enrolled saver with an approved plan and account monitored by a service provider must fulfill the requirements of the plan. The saver must present documentation to the service provider on a quarterly basis that the savings requirements are being met. If the saver is having difficulties in reaching the goal, the VIDA site must work with the saver to overcome any obstacles.

### **Program Parameters**

Non-profit organizations or local governmental agencies in partnership with a nonprofit organization that can demonstrate experience and knowledge in working with individuals in one of the three eligible uses categories and/or have experience working with low income populations are encouraged to apply. Applicants must be able to bring together a number of local service providers and resources to provide the necessary resources to eligible savers. Applicants who demonstrate committed partnerships with other local organizations within the community will be given more consideration. All applicants must have committed partnerships with at least one financial institution.

Applicants will propose the number of savers they will serve with a minimum of 10 per site.

There is no restriction on the number of accepted VIDA sites that DHCD will fund. DHCD anticipates being able to provide match and direct services support for a maximum of up to 76 savers.

Site selection will be based on the service provider's proposal on organizational capacity, project need, and program structure.

The contract period for approved VIDA grantees will be from May 2003 until June 30, 2004.

### Match Money

Half of the match money will be provided to the VIDA grantee at the beginning of the contract term. The match money is to be put in an escrow account, which may earn interest. Any interest earned on the agency's match fund escrow account must be reprogrammed into additional IDA program activities and/or used for operational costs incurred.

Participating programs are limited to a maximum of \$4,000 of match per eligible saver. Agencies may choose to supply additional in-kind match from other sources. These dollars cannot be counted as savings to obtain state match funds.

Match funds must be paid by the VIDA grantee to the legal entity (or vendor) that provides the eligible asset identified in the savings plan. Match funds will not be paid directly to the saver.

Matching funds will be forfeited if an account is closed at the discretion of the saver prior to the completion of the IDA program or for failure, without good cause, to meet the minimum savings amount, or not fulfilling workshop training requirements.

#### Operational Costs

VIDA grantees may be reimbursed up to \$1,000 per open, active account based on the total number of accounts proposed in the application. Operational costs include those costs associated with the management of the program including costs such as training, technical assistance, development and implementation of a financial literacy course, and the establishment of accounts at participating financial institutions.

Upon the execution of the contract, grantees will receive \$2,000 of their total operational funding. The remaining amount will be paid quarterly based on the number of open, active accounts.

<b>VIDA Evaluation Criteria</b>
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Grant applications for the VIDA program will be reviewed and ranked on a competitive basis. Ranking categories include: organizational capacity, service area, program need, program structure, training and counseling, and program implementation. These categories are assigned points based on their relative importance.

**POINTS**

**CATEGORIES**

**25**

**Organizational Capacity**

- Demonstrated ability of organization to provide or broker comprehensive services (training and counseling)
- Demonstrated relationship between organization and potential clients

**5**

**Service Area**

- Well-defined area and target population and demonstrated ability of organization to serve area

**10**

**Project Need**

- Clearly-defined need driven by community-based approach and involvement

**15**

**Program Structure**

- Relationship/ fit of program designed to assist individuals
- Degree of commitment of other resources

**20**

**Training and Counseling**

- Clearly defined and comprehensive financial management training
- Well described qualifications of training providers
- Clearly defined training components for homeownership, business start-up, and education, as applicable
- Availability and clear description of individual counseling



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### **Program Implementation**

- Well defined outreach strategy
- Clearly-defined screening process
- Clearly-defined plan to operate program
- Clearly-defined retention policy
- Clearly-defined process of qualified withdrawals
- Impact of program on identified need
- A marketing plan and marketing techniques that will capture target market
- A plan for emergency withdrawals

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### **Bonus Points**

- Post follow-up assistance provided
- Additional resources to participants to ensure their success

<h3><b>Application Process Schedule</b></h3>
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Applications for VIDA funding will be accepted by DCHD through 5:00 p.m. on Wednesday, March 26, 2003. Submissions must be hand delivered or sent by certified mail with a March 26, 2003, or earlier postmark. Delivery services such as Express Mail, Priority Mail, or United Parcel Services (UPS) are considered hand delivery and must be received by March 26, 2003.

February 13, 2003	VIDA Input Session: review program design to gather feedback
February 26, 2003	How-to-Apply Workshop: review VIDA application answer questions on the evaluation criteria
March 26, 2003	Applications are due to DHCD
April 11, 2003	Award recommendations presented to the Governor's Office
April 30, 2003	Funding awards announced, applicant's notified and contracts written